

UTILITIES SERVICE BOARD MEETING

October 15, 2007

Utilities Service Board meetings are recorded electronically or stenographically and are available during regular business hours in the office of the Director of Utilities.

Board Vice President Henke called the regular meeting of the Utilities Service Board to order at 5:04 p.m. The meeting was held in the Utilities Service Board room at the City of Bloomington Utilities Department Administrative Building in Bloomington, Indiana.

Board members present: Tim Henke, Pedro Roman, Jeff Ehman, Julie Roberts, Jason Banach, John Whikehart and ex-officio member Tim Mayer. Staff members present: Patrick Murphy, Michael Horstman, Phil Peden, Jane Fleig, Mike Bengtson, Mike Trexler, Tom Staley, Rachel Atz, John Callahan, Rick Dietz and Vickie Renfrow. Others present: Ben Beard representing Gentry Estates, Margaret Fette representing the Libertarian Party, Jeff Kaden representing Indiana University and Sue Mayer.

MINUTES

Board member Whikehart moved and Board member Roberts seconded the motion to approve the minutes of the October 1, 2007 meeting. Motion carried. 6 Ayes, 1 member absent, (Swafford).

CLAIMS

Board member Roberts moved and Board member Ehman seconded the motion to approve the claims as follows:

Claims 0791508 through 0791606 including \$330,582.29 from the Water Operations & Maintenance fund, for a total of \$330,582.29 from the Water Utility; Claims 0730913 through 0730973 including \$388,143.66 from the Wastewater Operations & Maintenance for a total of \$388,143.66 from the Wastewater Utility; and claim 0770114 for a total of \$5,819.55 from the Wastewater/Stormwater Utility. Total claims approved – \$724,545.50.

Board member Ehman asked about the claim for ATC Associates. He wanted to know what is in these reports and when the USB would be briefed on them.

Assistant Director of Engineering Bengtson said that Deputy Director John Langley, who was not at the meeting, would know more about this. Mr. Bengtson said that this is a five year report that Utilities is obliged to submit. The purpose is to monitor the conditions in the area of the landfill at Dillman Road WWTP. He wasn't sure what the parameters are that are being monitored but said he will pass the question on to John Langley who will get back to the USB with an answer.

Board Vice President Henke asked about the claim for Environmental Field Services for the Illinois Central Spring Water Treatment Plant. Mr. Henke had thought that Utilities responsibilities with that had ended. Assistant Director of Finance Horstman explained that while Utilities pays EFS for operation expenses the funds to make the payment are collected from IDEM, the US EPA and CBS Corporation. Mr. Henke asked for the amount of the payment. Mr. Horstman said it was \$9,909.

Motion carried. 6 ayes, 1 member absent, (Swafford).

Wire transfers and fees for the month of September 2007:

Board member Roberts moved and Board member Ehman seconded the motion to approve the wire transfers and fees for the month of September 2007 in the amount of \$621,006.47.

Motion carried. 6 AYES, 1 member absent, (Swafford).

RESOLUTION TO AUTHORIZE UTILITIES TO SHARE THE COST OF UPGRADING THE ORACLE DATABASE AND FINANCIALS EQUALLY WITH THE CIVIL CITY:

Utilities Director Murphy introduced Rick Dietz who is the Department Head of Information and Technology Services. He went on to remind the USB that in the past there has been some discussion of Oracle and whether it would be best to move to some other type of financial software. While he thinks that this might take place in the future at this time he doesn't think that either Utilities or the Civil City are ready to make that transition at this time.

ITS Director Dietz asked the USB to support a substantial upgrade to the Oracle system. It is a multi-faceted upgrade that includes hardware updates. There will be two new servers replacing the production and test servers. There will also be an upgrade of the Oracle database platform and the financial system which is the application that is the basis for Utilities and the Civil City's accounting. It also ties into the CUBS system that Utilities uses for billing.

Board member Roberts asked Mr. Dietz if he would estimate that Utilities actually uses 50% of the system. Mr. Dietz said that has been the traditional split. He thinks that in terms of transactions there is parity if not excess on the side of Utilities. Utilities Director Murphy agreed that 50% is more than fair.

Board member Ehman asked if Utilities were to buy this software on their own would they have to pay twice the amount they are being asked for.

Mr. Dietz explained that the licenses for Oracle had already been bought. He is requesting an update for the servers which have already been paid for. This is to facilitate the installation of the software for the database, the Oracle financial applications as well as extensive testing focusing on both Utilities and the Civil City.

Mr. Ehman asked if Utilities had their own system would they be paying \$70,000 on their own for this upgrade if it weren't being shared with the city. He wants to know what the cost savings would be for partnering with the city on this. Mr. Dietz said that Utilities gets 24/7 support from IT for the administration of this system.

Board Vice President Henke asked Budget Analyst Trexler about the reports that he does on Excel because no one knows how to get them from Oracle. Mr. Trexler explained that he can get the reports from Oracle but not in a presentable form. He usually takes the data and puts it in Excel so he will have more control over how to present it. Mr. Henke expressed concern that when it gets moved from one system to the other it introduces chances for error. Mr. Trexler assured him that he always keeps the original information that comes from Oracle. He uses the import function in Excel which is like cutting and pasting so there is no data entry. The chance for errors is small. Mr. Henke asked if this update will eliminate the need to do this. Mr. Trexler said that someone would have to specifically tailor Oracle to produce customized reports. He prefers the flexibility of working with Excel to present the information as it needs to be. He finds the data in the Oracle database to be perfectly reliable and it facilitates more efficient actions in the Accounting Department. When it comes to actually presenting the report any changes in the reporting would require contracting someone to tailor the report as opposed to Excel where there is the flexibility to make things look the way he wants them to. He is personally satisfied with what he gets from Oracle. Board member Banach said that he understands what Mr. Trexler is saying because he tends to do the same thing at IU. The margin of

error is in transcribing but if data is being imported it's much less likely that any errors will be introduced. Mr. Trexler went on to say that one of the advantages of Excel is that the changes in a document can be traced. The base data in Oracle is fine but sometimes the way things get summarized is not ideal, only because the money has not been spent to customize the reports.

Board member Henke asked if the State Board of Accounts hadn't weighed in on this issue. Mr. Trexler said that it was actually Crowe Chizek that had mentioned this issue in their best practices review. They talked about how entries needed to be made as close to the source data as possible. Since that time a number of systems have been developed to address this issue.

Board member Roman said he is curious about the way this contract is being awarded. He wanted to know if other city departments are signing a contract with the Civil City for the Oracle system or is it just Utilities. IT Director Dietz said that only the Board of Public Works will be signing it. Mr. Roman asked if the contract is between Utilities and Public Works. He said that at times the contract mentions the Board of Public Works and at other times the Civil City so he doesn't understand who the services are being bought from. He also wants to know if other City Departments are buying services from other departments. Mr. Dietz said that there is no interaction with other departments in the city. Only Public Works is signing on behalf of the Civil City. Board Vice President said that other entities of the city are tax payer funded whereas Utilities is rate funded. He asked if Mr. Roman's question was why is Utilities being asked to pay when other departments such as Parks and Rec or Human Resources are not being asked to share. Mr. Roman agreed that was his question. Mr. Henke said the answer is that the Civil City is paying for half through the Board of Public Works. Mr. Roman said that he finds the wording confusing. He asked if Utilities is a department of the city or a municipally owned utility. He believes it is not possible to be both. Mr. Dietz said he is not the person to be answering that question.

Board member Mayer explained that back when the city got their first computers they were actually in the Utilities Department. The Civil City relied on Utilities for computer expertise because the people in the Utility Department knew what computers are about whereas people in the Civil City didn't know. That went on for many years until the IT Department was established. He said that history might help explain why this relationship exists between IT and Utilities. Mr. Roman said that he completely supports that relationship. He concern is with contracts. Over the last four to five years during he has been following the USB there has been a progression to a departmental view of Utilities. He said he doesn't have a problem with that but there should be a public discussion of it. At this time he believes it is a municipally owned Utility. Before it was in the Department of Public Works but by an act of the City Council it became what it is today. He believes this confusion prevents the USB from being efficient and from doing its job in an adequate way. He said that by state code it can not be both a department and municipally owned.

Utilities Director Murphy said that should be delineated but Utilities does use half the Oracle system and \$35,000 is reasonable. With respect to the Civil City acting through the Board of Public Works and the City Utilities, the USB needs to approve this and the Board of Public Works will approve it. Since Utilities wants to appropriate money from their funds which are separate the USB has to appropriate that money like a legislative branch.

Board member Roman said there is a difference. He said if they want to appropriate money to the city they would have to declare the amount to be surplus and get authorization from the City Council. What the USB is doing is entering into a contract for services with another municipal entity which is separate from Utilities. That is why he is asking these questions. The USB cannot sign a contract as a department of the city with a department of the city unless it is an interlocal contract. A contract can be signed if Utilities is municipally owned. It cannot be both. Mr. Murphy pointed out that Utilities is not entering into a contract. The city is entering into a contract through the Department of Public Works.

Board member Roberts said it seems that if Utilities is municipally owned public utility then it is a separate entity from the city. Since the name has been changed to Utilities Department it sounds like it is a sub-section of the city like any other department. The USB makes Utilities independent of that. It's the wording that needs to be changed. Mr. Roman said this needs to be a contract between the City of Bloomington Utilities and the Civil City. This is because the USB doesn't have the authority unless we declare surplus to give money to the city. It would need to go to the City Council to actually appropriate that money.

Utilities Director Murphy suggested that this agenda item might be postponed for a future meeting. Mr. Roman said he doesn't have a problem with this specific contract. He just wants the situation clarified.

Board member Ehman said he had one final question. He asked about the part of the memo that says that \$8,500 is requested in the event assistance is needed to repair custom financial reports, if it turned out to not be needed would half that money be returned to Utilities. Mr. Dietz said that was something that could be worked out. Other than that Mr. Ehman thinks this is a good deal since at least half of the transactions are Utilities'.

Board Vice President Henke asked Budget Analyst Trexler and Assistant Director of Finance Horstman if this would be an opportunity to improve the financial system that had been at least partially responsible for a qualified audit. Board member Mayer pointed out that the issue with the audit was determined to be human error and not a software issue at all. There was a ghost form that information was being put into so people didn't understand what they were getting from it. It was human error, not a malicious error. Mr. Trexler agreed with Mr. Mayer. It was a training issue related to CUBS rather than Oracle.

Board member Whitehart said he doesn't share the concerns about the language in the agreement. As he reads it the USB is saying that the Department of Public Works as a representative of the Civil City is going to enter into a contract for this system. All that the USB is saying is that they are resolving to pay up to half of that. He doesn't feel there is a need to delay 2 weeks to approve that.

Board member Roman said that the USB cannot just pay out money because they want to. It must be paid with a lease or a service contract because Utilities is not a department of the City. There are rules that preclude them from giving money to the city without certain procedures. He supports the concept of this agreement. He just has a problem with the all the contracts have been coming to them lately.

Board Vice President asked Assistant Director of Finance Horstman if he had any comments he would like to add. (I couldn't hear his answer.) Mr. Henke clarified that he was asking if Mr. Horstman if he believes that Oracle and this upgrade will help him to give the USB accurate and complete financial statements. Mr. Horstman said that he is comfortable with it and thinks the upgrade should be done. He thinks it is needed now.

Board member Banach said that he does not want to discount what Mr. Roman had said. At some point he would like reassurances that the way these internal agreements are done is in compliance with state law. He doesn't want to oversee the language and every little detail of each contract but he does want to know if what they are doing concurs with what they are supposed to be doing.

Board Vice President Henke said that his sense of the board is that they are willing to postpone that issue beyond this resolution.

Board member Roberts moved and board member Roman seconded the motion to approve the resolution to authorize Utilities to share the cost of upgrading the Oracle Database and Financials equally with the Civil City. Motion carried. 6 ayes. One member absent, (Swafford).

OLD BUSINESS:

Utilities Director Murphy asked for the USB's opinion about a summer sewer average request that he has received from Beazer Homes. The USB had approved a summer sewer average for some residents of Highlands development. The request from Beazer Homes came under their account name. They would like to have summer sewer averages for homes they had built that are not occupied. He isn't sure if that was the intent of the USB. He doesn't know how it could be done since the homes don't have previous accounts. The residents had moved from another home to the Highlands the summer sewer average was based on what they had been paying at their previous homes. Mr. Henke said it seems that they were watering grass. Mr. Murphy agreed. Mr. Henke asked if the Rules and Regulations would not allow for the summer sewer average to be given to Beazer Homes. Mr. Murphy said it is usually done if someone lives in the home so there is a record to look back at.

Board member Roberts asked if it isn't set up for a rate payer who is a resident. This would be subsidizing a business. Mr. Henke pointed out that they are being charged for sewer service although none of the water is going to the sewers. This is why the summer sewer average is given. According to Utilities Director Murphy the average has never before been given to a corporation. Usually corporations use an irrigation meter. The rules specify residential customers. Mr. Banach asked if the rules say residential occupant or residential property.

Board Vice President Henke read the rule which said residential customers are eligible for a summer sewer average and all other customer classes will pay according to actual water usage. He said that the Administrative committee deals with these things and has more knowledge about them.

Assistant Director of Engineering Bengtson added quite a bit to this discussion but I couldn't hear it.

Utilities Director Murphy said he will take this problem to the Administrative committee.

NEW BUSINESS:

Board member Roberts commented on the excellent rebuttal that Public Affairs Specialist Callahan had written for the USB regarding a critical guest column in the Herald Times. She volunteered to rephrase what John had written and send it to the newspaper as a member of the USB if that seemed appropriate. She feels it was information that should go before the public to demonstrate that the USB is using due diligence and are not turning down any free money.

Board Vice President Henke asked Mr. Callahan if his article had been released. Mr. Callahan said it had not.

Utilities Director Murphy said that it was information that had been supplied to the USB in case any members of the public asked them questions about it.

Mr. Henke asked the USB if they wanted to authorize board member Roberts to work with Mr. Callahan to write a letter to the editor. Mr. Banach said that he thinks a public response is appropriate.

Board member Ehman said that board President Swafford had asked that the letter be read into the record. Mr. Murphy said they could give the letter to the USB secretary to include it in the record.

Board member Ehman said that he would like to have an executive committee of the USB scheduled to discuss matters of liability along the lines of what board member Roman was mentioning about the contracts. He just wants to make sure that things are being done correctly. Board member Mayer said that it was his understanding that executive committees are for personnel issues only.

Mr. Henke said that was not correct but he is not sure this issue would be appropriate for an executive committee meeting. Mr. Ehman said this discussion does include personnel issues. Mr. Henke said it couldn't be about position or salary. It must be about a specific individual issue. He suggested that the meeting be scheduled as a subcommittee meeting unless the issues he wants to discuss fall in the right category. He suggested that City Attorney Renfrow be consulted about whether this discussion would be appropriate for an executive committee meeting. Mr. Ehman asked what to do hypothetically if the issue involved Ms. Renfrow or City Legal. Mr. Henke said he had asked about that same issue before and was advised that it did not rise to the level of an executive meeting. He suggested a meeting be scheduled one way or another and he thinks it should be discussed with Ms. Renfrow to see if it falls in the category for an executive session. Some personnel issues do fall in that category and some don't and some legal issues do and some don't. Mr. Ehman suggested that board members send to him anything they might want to discuss. He will take them to Ms. Renfrow and get clarification on them as a group.

Board member Roman said he would not be comfortable with a public discussion. If there are issues that should not be discussed in public an executive session should be called which is what he wants. There are personnel matters that he wants to discuss that would fall within the statute for an executive session. Mr. Henke said a meeting should be scheduled. If they are important enough to be talked about they should be discussed by the entire board. The question is does it fall in the category of an executive session or not. Mr. Roman said the issues to be discussed pertain to people who may be involved in the decision making processes. Mr. Henke said it is clear that Mr. Roman wants an executive session and it sounds appropriate in these circumstances. If Mr. Ehman would like to he can check it out with Ms. Renfrow. He suggested that an executive session be scheduled at 3:30 in 2 weeks just before the next USB meeting.

SUBCOMMITTEE REPORTS:

Board Vice President Henke informed the USB that the Finance Subcommittee had met just before the board meeting. They will recommend a change in the write off policy for delinquent water works accounts.

STAFF REPORTS:

Assistant Director of Engineering Bengtson said that a critical point had been reached in the State Road 45/46 corridor study for relocation of the water main. Beam Longest and Neff had been hired to do this study. They had recommended relocating the water main on the same side of the street. This was presented to IDEM who asked for some revisions. Since then discussions with IU made it seem that it might be better to go to the other side of the road because of the abundance of un-served property and the complications of running services underneath a newly widened by-pass. There was a recent meeting with BLN to discuss this new rendition of the plan. That will be followed up with a meeting with INDOT. The estimate for this relocation is in the range of about \$11 million. There is a provision at the state level for hardship funding. That would mean that Utilities would pay for 10% of the relocation and the state would pay the remainder.

There is a complication in that there are two different projects. The other is a relocation of a water line on 10th Street that goes from the By-pass to about 150 feet beyond the Range Road/Pete Ellis Drive intersection. Utilities is asking that these be combined with State Road 45/46 as one project concerning the hardship money. INDOT has confirmed that they are on board for that plan. The design costs can go toward the 10% that will be paid by Utilities.

Board Vice President asked if it was correct that it would 10% of the water works operating costs which is about \$1.2 million. Utilities Director Murphy reminded the USB that this was included in the water rate increase.

PETITIONS AND COMMUNICATIONS:

Utilities Director Murphy asked that the Engineering Subcommittee members set up a meeting to discuss the County Plan Department's sewer extension map. They agreed to meet at 5:30 on Tuesday, October 23rd.

ADJOURNMENT:

The meeting was adjourned at 6:03 p.m.

L. Thomas Swafford, President